

Article 5.

Managing Debt Capacity.

§ 116D-55. Purpose.

The purpose of this Article is to provide tools for sound debt management at The University of North Carolina by requiring each constituent institution to conduct an annual debt affordability study, by requiring the establishment of guidelines for maintaining prudent debt levels, and by establishing a system for prioritizing University capital needs when the needs exceed the University's capacity for new debt. (2015-241, s. 31.13.)

§ 116D-56. Debt affordability study required.

(a) Study Required. – The Board of Governors shall annually advise the Governor and the General Assembly on the estimated debt capacity of The University of North Carolina for the upcoming five fiscal years. The Board shall oversee the undertaking of an annual debt affordability study and the establishment of guidelines for evaluating the University's debt burden. The guidelines should include target and ceiling ratios of debt to obligated resources and target and floor percentages for the five-year payout ratio. The Board shall also recommend any other debt management policies it considers desirable and consistent with sound management of the University's debt.

(b) Board of Governors Reporting Required. – The Board shall report its findings and recommendations to the Office of State Budget and Management, the Joint Legislative Commission on Governmental Operations, the State Treasurer, and The University of North Carolina System Office by April 1 of each year. The report shall be accompanied by each of the reports provided to the Board pursuant to subsection (c) of this section.

(c) Constituent Institution Reporting Required. – No later than February 1 of each year, each constituent institution shall report to the Board of Governors on its current and anticipated debt levels. The report shall be made in a uniform format to be prescribed by the Board of Governors. Each report shall include at least the following:

- (1) The amount and type of outstanding debt of the institution.
- (2) The sources of repayment of the debt.
- (3) The amount of debt that the institution plans to issue or incur during the next five years.
- (4) A description of projects financed with the debt.
- (5) The current bond rating of the institution and information about any changes to that bond rating since the last report was submitted.
- (6) Information about the constituent institution's debt management policies and any recommendations for methods to maintain or improve the University's bond rating.
- (7) Debt burden comparisons to comparable peer institutions.
- (8) Any other information requested by the Board of Governors.

(d) Definitions. – The following definitions apply in this section:

- (1) Debt. – Debt incurred under this Chapter or any other debt that will be serviced with funds available to the institutions from gifts, grants, receipts, Medicare reimbursements for education costs, hospital receipts from patient care, or other funds, or any combination of these funds, but not including debt that will be serviced with funds appropriated from the General Fund of the State.

- (2) Obligated resources. – As defined in G.S. 116D-22. (2015-241, s. 31.13; 2016-94, s. 37.6; 2018-12, s. 13.)